

cost of the depreciable property (excluding the cost of land) unless a higher salvage value is determined by an independent qualified appraiser at the time of acquisition.

(5) A Federal credit union shall endeavor to dispose of "abandoned premises" at a price sufficient to reimburse the Federal credit union for its investment and costs of acquisition. Current documents must be maintained reflecting the Federal credit union's continuing and diligent efforts to dispose of "abandoned premises." After "abandoned premises" have been on the Federal credit union's books for 4 years, the property must be publicly advertised for sale. Disposition must occur through public or private sale within 5 years of abandonment, unless otherwise approved in writing by the Administration.

(e) Furniture, Fixtures and Equipment. (1) Investments in furniture, fixtures, and equipment will be recorded on the credit union's books at the lower of cost or fair market value. The cost of computer hardware and software shall be carried on the books of the credit union in an account separate from other items of furniture, fixtures, and equipment.

(2) The cost of furniture, fixtures, and equipment shall be amortized over the estimated useful life through periodic charges to depreciation expense using any of the generally accepted methods of depreciation. The reverse sum-of-the-years digits method is not acceptable.

(f) Prohibited Transactions. (1) Except with the prior written approval of the Administration, no Federal credit union may acquire real property by investment in premises from any of the following:

(i) A director, member of the credit committee or supervisory committee, official or employee of the Federal credit union, or the spouse of such director, member of the credit committee or supervisory committee, official or employee;

(ii) A corporation in which any director, member of the credit committee or supervisory committee, official or employee, or the spouse of such director, member of the credit committee or supervisory committee, official or employee is an officer or director, or has a stock interest of 10 percent or more;

(iii) A partnership in which any director, member of the credit committee or supervisory committee, official or employee, or the spouse of such director, member of the credit committee or supervisory committee, official or employee is a general partner, or a limited partner with an interest of 10 percent or more; or

(iv) A member of the immediate family of a director, member of the

credit committee or supervisory committee, official or employee of the Federal credit union, living in the same household.

[FR Doc. 78-34665 Filed 12-12-78; 8:45 am]

[6320-01-M]

Title 14—Aeronautics and Space

CHAPTER II—CIVIL AERONAUTICS BOARD

SUBCHAPTER E—ORGANIZATIONAL REGULATIONS

[Reg. OR-139; Amdt. No. 76]

PART 385—DELEGATIONS AND REVIEW OF ACTION UNDER DELEGATION—NONHEARING MATTERS

Amendment of Delegation of Authority to the Director, Bureau of Accounts and Statistics

Adopted by the Civil Aeronautics Board at its office in Washington, D.C., December 7, 1978.

AGENCY: Civil Aeronautics Board.

ACTION: Final rule.

SUMMARY: This rule expands the authority delegated to the Director of the Bureau of Accounts and Statistics to include: (1) Amendments of the Board's accounting system to allow carriers to use the latest accounting and reporting standards; (2) technical, editorial, or interpretive amendments of the accounting and reporting regulations; (3) the public release of industry financial and statistical studies and reports prepared by the Bureau of Accounts and Statistics; (4) exemptions from reporting requirements under certain circumstances; and (5) the collection of special reports from foreign air carriers under certain circumstances. This expansion of authority delegated to the Director of the Bureau of Accounts and Statistics is intended to relieve the Board from having to give time and attention to routine matters.

DATES: Effective: December 7, 1978. Adopted: December 7, 1978.

FOR FURTHER INFORMATION CONTACT:

Raymond Kurlander, Director, Bureau of Accounts and Statistics, Civil Aeronautics Board, 1825 Connecticut Avenue NW., Washington, D.C. 20428, 202-673-5270.

SUPPLEMENTARY INFORMATION: This rule will relieve the Board of certain routine matters by adding several

new delegations of authority to those now handled by the Director, Bureau of Accounts and Statistics, for matters in which there are no issues of substance or where policy standards are well defined so that the Board can spend time on more important matters that only it can decide.

UPDATING REGULATIONS

For many years, the Board has maintained a consistent policy of keeping its accounting and reporting regulations up to date with the latest professional standards in the field. The Board adopted this policy because experience had shown that a uniform accounting system, based on current accounting and reporting standards, provides a sound platform for the application of a wide variety of regulatory purposes, all of which can be traced back to a common starting point. Experience has also shown that such an accounting system is less burdensome. It provides a common data base to serve a variety of other financial reporting needs for local, state, Federal, creditor and investor concerns, and eliminates the need to explain differences between regulatory reports and financial reports issued to the general public.

Even though the policy of keeping the regulations up to date with generally accepted accounting and reporting standards has been clearly established, the Board itself still considers and issues each proposed rule and final rule updating the regulations. This individual consideration seems unnecessary in view of the consistency of the Board's policy over the years.

Moreover, the Board has noted that professional organizations and governmental bodies (like the Financial Accounting Standards Board and the Securities and Exchange Commission) that are responsible for molding accounting and reporting standards for the business community are issuing new policy pronouncements at a faster pace. This means that as time goes by the Board would be considering more of these update amendments.

Since the policy of keeping the accounting regulations current with accounting changes is well established, the Board has decided to delegate to the Director, Bureau of Accounts and Statistics, with the concurrence of the General Counsel and other concerned bureaus, the authority to propose and issue amendments to the Board's accounting and reporting regulations for the purpose of keeping them up to date with general accepted accounting principles.

Under the new procedure, the Director of the Bureau of Accounts and Statistics, using delegated authority, will propose the accounting changes to be incorporated into the regulations. The proposal will allow a thirty-day period

for comment.¹ After review of the comments, a final rule could also be issued under delegated authority when there are no substantial objections. If substantial objections are received, the proposed rule would come before the Board for decision in the same way that they are handled now. Even if a final rule is issued under delegated authority, a petition for review of staff action could be taken to the Board under § 385.50 of the Organization Regulations (14 CFR 385.50). The new delegation, therefore, will not diminish the rights of any party to rulemakings.

In establishing this new delegation, it is the Board's conclusion that this delegation will relieve it from having to consider a number of routine accounting changes that will take place each year, and allow the Board time to concentrate on more important matters.

INCORPORATING INTERPRETATIONS AND MAKING OTHER TECHNICAL AND EDITORIAL CHANGES

There are two other types of rule changes that are being delegated to the Director, Bureau of Accounts and Statistics, with the concurrence of the General Counsel and other concerned bureaus.

One type would allow the Director to incorporate accounting and reporting interpretations into the regulations. These interpretations are made by the Director, Bureau of Accounts and Statistics, and arise individually on a case-by-case basis over a long period of time. Before this body of interpretations becomes too cumbersome to be used in a convenient and efficient manner, steps should be taken to rescind those that have outlived their usefulness and, where practical, to incorporate others into the regulations by rulemaking proceedings. Because carriers are already bound by the interpretations, there would be no actual changes in the accounting and reporting instructions.

The other type of rule change involves editorial and technical amendments to enhance the clarity or usefulness of financial and statistical reports. Most of these changes are very minor and do not warrant the Board's attention at public meetings.

INDUSTRY REPORTS

The Bureau of Accounts and Statistics uses financial and statistical data filed by the carriers to prepare industry financial and statistical reports for

public release. These industry reports are not now released to the public without Board approval. A fourth delegation of authority will permit these reports to be released by the Director, Bureau of Accounts and Statistics, but will be clearly marked as a staff study.

EXEMPTIONS FROM REPORTING

On rare occasions, carriers have been obliged to file report forms with the board even though they have had nothing to report. This usually happens when carriers cease operations for some reason, or when they do not conduct the activity covered in the report. These conditions are sometimes temporary and sometimes not.

The Director of the Bureau of Accounts and Statistics has the delegated authority to waive accounting and reporting requirements; but this authority is subject to a variety of conditions and limitations which vary according to the regulation containing the requirement to be waived. In order to give the Director the authority to exempt carriers from reporting for indefinite periods, the Board is adding a fifth delegation of authority to permit such exemptions when unusual circumstances are involved, or when the carrier has nothing to report.

FOREIGN AIR CARRIERS

Section 385.17(g) delegates authority to the Director, Bureau of Accounts and Statistics, to require special reports from any air carrier when he determines that such reports are necessary to meet temporary information needs, assist in an evaluation of continued financial fitness, or comply with special information requests by Congress, the Board, or another agency or component of the Federal Government. Because the definition of "air carrier" is restricted to U.S. citizens by the Act, this delegation of authority does not apply to foreign air carriers. Consequently, the Board's staff must either submit special reporting requirements for foreign carriers to the Board or rely on voluntary compliance with requests for information. To date, voluntary compliance with requests has proven less than satisfactory.

To solve this problem, this final rule will add to the Director's authority the power to collect, under the same circumstances now established for U.S. carriers, special reports from foreign air carriers.

Since these amendments are of an administrative nature, affecting a rule of agency organization and procedure, the Board finds that notice and public procedures are unnecessary and that the rule may become effective immediately.

Accordingly, the Board amends § 385.17 of the Organization Regula-

tions (14 CFR 385.17) by revising paragraph (g) and adding new paragraphs (i), (j), (k), (l), and (m) to read as follows:

§ 385.17 Delegation to the Director, Bureau of Accounts and Statistics.

(g) Require special reports from any air carrier or any foreign air carrier under circumstances upon a finding that such reports are necessary to meet temporary information needs, assist in an evaluation of continued financial fitness, or comply with special information requests by Congress, the Board, or another agency or component of the Federal Government.

(i) Propose and issue amendments to accounting and reporting regulations to conform with generally accepted accounting principles, with the concurrence of the General Counsel and other concerned bureaus, when no person having a substantial interest expresses an objection to the change. A thirty-day period for comments will be allowed.

(j) Propose and issue amendments to incorporate accounting and reporting interpretations into the Board's regulations, with the concurrence of the General Counsel and other concerned bureaus, when no person having a substantial interest expresses an objection to the change. A thirty-day period for comments will be allowed.

(k) Propose and issue amendments of an editorial or technical nature that prescribe the manner and form in which financial and statistical reports should be submitted when no person having a substantial interest expresses an objection to the change.

(l) Issue staff reports prepared from financial and statistical data filed with the Board.

(m) Exempt air carriers and foreign air carriers from reporting requirements because of unusual circumstances.

(Secs. 204(a), 407, Federal Aviation Act of 1958, as amended, 72 Stat. 743, 766, as amended; (49 U.S.C. 1324(a), 1377). Reorganization Plan No. 3 of 1961, 75 Stat. 837, 26 FR 5989; (49 U.S.C. 1324 (note)).)

By the Civil Aeronautics Board:

PHYLLIS T. KAYLOR,
Secretary.

[FR Doc. 78-34681 Filed 12-12-78; 8:45 am]

¹We are not allowing the usual sixty-day period for comment because the entire thrust of our proposal is to establish procedures which allow carriers to use as expeditiously as possible the latest accounting and reporting standards in their financial reports filed with the Board.

[8010-01-M]

Title 17—Commodity and Securities Exchanges

CHAPTER II—SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-6003, 34-15380, 35-20811, IC-10505]

UNIFORM AND INTEGRATED REPORTING REQUIREMENTS: MANAGEMENT REMUNERATION

Amendments to Disclosure Forms

AGENCY: Securities and Exchange Commission.

ACTION: Final rules.

SUMMARY: The Commission is amending certain disclosure forms and regulations to standardize and improve the Commission's disclosure requirements relating to management remuneration. The amendments revise the management remuneration disclosure provisions in certain registration statements, periodic reports and proxy and information statements filed with the Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934 to require tabular and other forms of disclosure as to all remuneration from the registrant and its subsidiaries for services during the latest fiscal year by certain specified directors, executive officers and officers of the registrant. The manner in which certain of such amounts will be computed are specified in the new amendments and in some cases will be the amount expensed by the registrant or its subsidiaries for financial reporting purposes.

EFFECTIVE DATE: The amendments are effective with respect to fiscal years ending after December 25, 1978 for initial filings made on or after January 15, 1979.

FOR FURTHER INFORMATION CONTACT:

Steven J. Paggioli, Office of Disclosure Policy and Proceedings, Division of Corporation Finance, 500 North Capitol Street, Washington, D.C. 20549 (202/376-8090).

SUPPLEMENTARY INFORMATION: On July 28, 1978, the Commission published for comment proposed amendment to the management remuneration disclosure requirements which appear in Item 4 of Regulation S-K.¹

¹ Securities Act Release No. 33-5950 (July 28, 1978) (43 FR 34415). Regulation S-K is a disclosure provision which specifies information required to be disclosed in various registration statements, periodic reports, and proxy and information statements filed with the Commission under the Securities Act of 1933 and the Securities Exchange Act

Although most of the revisions proposed for comment have been adopted, there are two principal areas in which the Commission has not followed the proposals: (1) The Commission is not adopting any provisions similar to those proposed for comment to extend the remuneration disclosure requirements to officers or directors of wholly-owned subsidiaries of the registrant; (2) the columnar presentation for management remuneration has been revised to call for a column reflecting salaries and similar amounts actually distributed or accrued during the latest fiscal year; a column reflecting the aggregate of certain other forms of non-contingent remuneration for services during the fiscal year—such as insurance premiums and personal benefits; and a column reflecting various forms of contingent remuneration for which amounts were expensed during the year for financial reporting purposes. Although these columns would be presented in the same remuneration table, there would be no requirement to aggregate the amounts in a separate column.

BACKGROUND

In Release No. 33-5950 the Commission described the reasons for proposing amendments in the area of management remuneration disclosure and noted that, as management remuneration packages have become more diverse and complex, the format for their disclosure in Commission filings has changed. Thus, many forms of remuneration presently are not being included in the remuneration table but, instead, are disclosed through narrative discussions set forth in footnotes or paragraphs following the table. It was further noted in that release that the proposals were intended to require that the table reflect all remuneration which can be quantified and related to the services performed by individual members of management during the fiscal year.

A number of commentators addressed the broad policy question of whether it is appropriate to require that the remuneration table include all forms of remuneration described in the proposals.

Some indicated that the present requirements and disclosure practices are adequate and that it would be inappropriate to present, in a single table, forms of remuneration which range from cash salaries to deferred or contingent incentive arrangements.

The Commission has given careful consideration to the over 350 letters of

comment on the proposed amendments, many of which addressed the question of whether all forms of remuneration should be included in the remuneration table. Based upon the Commission's review of these letters of comment, upon the Commission's experience in administering the federal securities laws, and upon certain data which appears in the record in the hearings on corporate governance,² the Commission has determined that it is in the public interest and will promote the protection of investors to require that the forms of remuneration described in the proposals be included in the remuneration table should be amended, generally in the manner proposed, as a means of promoting better investor understanding. In the Commission's view, the expansion of the table is consistent with the relevant statutory provisions³ and is a basic element in providing security holders with information with which to assess the performance of management.

The following portions of this release will describe the amendments adopted and will discuss certain issues raised by commentators. However, for a more complete understanding of the new requirements the reader should

² See Securities Exchange Act Release No. 13482 (April 28, 1977) (42 FR 23901) announcing a re-examination of the Commission's rules relating to shareholder communications, shareholder participation in the corporate electoral process and corporate governance generally; in connection with that inquiry, certain proposed amendments to the Commission's disclosure requirements were published for comment in Securities Exchange Act Release No. 14970 (July 18, 1978) (43 FR 3195).

³ Item 14 of Schedule A under the Securities Act describes information which, pursuant to Section 7, might be required in prospectuses:

(14) The remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and ensuing year, to (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them whenever such remuneration exceeded \$25,000 during any such year. Under the Exchange Act, in sections 12(b) (D) and (E), a registration statement under that Act may, subject to Commission rulemaking, contain the following:

(D) The directors, officers, and underwriters, and each security holder of record holding more than 10 per centum of any class of any equity security of the issuer (other than an exempted security), their remuneration and their interests in the securities of, and their material contracts with, the issuers and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with the issuer;

(E) Remuneration to others than directors and officers exceeding \$20,000 per annum;

Section 13(a)(1) of the Exchange Act vests the Commission with rulemaking authority to require disclosure to keep reasonably current the information required to be included in or filed with a registration statement filed under that Act.

of 1934. The requirements of Item 4 are incorporated by reference in a number of disclosure forms and regulations and thus will revise the disclosure requirements of Forms S-1 and S-11 under the Securities Act and Forms 10, 10-K and Regulation 14A under the Exchange Act.

refer to the Text of the Amendments, set forth later herein.

Item 4(a)—Remuneration of Management. It was proposed in Release No. 33-5950 that Item 4(a) be amended in a number of respects from the existing remuneration disclosure requirements. Although many of the proposals have been retained, others have been amended in response to the public comments received.

Present Item 4(a) calls for disclosure regarding "all direct remuneration paid by the registrant and its subsidiaries during the registrant's last fiscal year . . ." As adopted today, the item requires disclosure "concerning all remuneration . . . for services in all capacities to the registrant and its subsidiaries during the registrant's last fiscal year or, in specified instances, prior fiscal years." It thus would require disclosure not only of remuneration paid directly by the registrant and its subsidiaries but also of all remuneration from third parties for services to the registrant and its subsidiaries. The Commission feels that any burden imposed on the registrant in connection with obtaining this information from the individual officer, director or others is outweighed by the value of the information to investors. Further, such information is relevant, even though not paid directly by the registrant or its subsidiaries, since there may often be some form of indirect consideration given by the registrant to the third party who paid the individual. In addition, disclosure will be required in certain instances regarding remuneration not previously disclosed which is for services performed in prior fiscal years. For example, if a company prepares and uses a 1978 proxy statement in March, 1979, the remuneration table would not reflect a bonus for 1978 which was actually determined and awarded in May, 1979. Thus, the remuneration table for the 1979 proxy should include such amount.

However, it should be noted that the amendments would not require disclosure of remuneration paid by an investment company's investment adviser to officers and directors of the company.

These sums are obtained by the adviser essentially from its advisory fee which is required to be disclosed and appears to be the pertinent disclosure which should be made by the company to its shareholders.

Item 4(a)(1)—Five Executive Officers or Directors. The proposal would have changed the present item by increasing the number of persons with respect to whom disclosure is required from three to five, by deleting the \$40,000 floor below which disclosure is not required, and by referring to "executive officer" rather than "officers."

The proposed increase from three to five persons who might be required to be named in the remuneration table has been retained. Many commentators felt that the increase is appropriate because a number of corporations, particularly those with larger and more diverse operations, have a chief executive office consisting of two or more persons or have the top management functions performed by more than three persons. Other commentators indicated a belief that the proposed increase from three to five persons who are to be named in the table should not be adopted because the invasion of personal privacy implicit in the proposal was not justified, particularly with respect to smaller issuers whose top management may be concentrated among a smaller group of persons and whose remuneration to the fourth and fifth executive-officer or director may be relatively small.

The Commission believes that the retention of a floor below which disclosure need not be made alleviates many of the problems raised by the public comments. The floor, which has been raised by 25% from \$40,000 to \$50,000 in recognition of inflationary effects on remuneration, should mean that executive officers or directors of some smaller issuers will not be required to have this information made public; at the same time, the increase to the five most highly compensated "executive officers or directors" of the registrant will provide investors with further data with which to assess the performance of key members of management. The \$50,000 floor will be determined by reference to the sum of the remuneration to be included in Column C1 and C2 which will reflect all forms of current remuneration. The reference to "executive officers" will also have the effect of limiting disclosure of individual remuneration to those persons who, as set forth in the definition of that term, and as discussed further below, perform policy making functions.

Proposed Item 4(a)(2)—Not adopted. The Commission had proposed a new Item 4(a)(2) intended to reach the five most highly compensated executive officers or directors of the registrant or its wholly-owned subsidiaries not already named pursuant to proposed Item 4(a)(1), if the individual's aggregate remuneration exceeded \$150,000.

This proposal, which could have resulted in naming persons who are officers or directors of wholly-owned subsidiaries, elicited a very large number of adverse comments which noted, among other things, that an invasion of personal privacy and confidentiality could occur under the proposal, without any materially important new information becoming available to shareholders and investors. It was also

felt that the information would not be material because the individuals concerned, particularly executive officers and directors of subsidiaries, might not be among those key policymakers of the registrant whose remuneration should be disclosed. It was also argued by certain commentators that since the heads of subsidiaries are generally not in a position to determine their own salary levels, the possibility of conflict or abuse in connection with establishing their levels of compensation is reduced. Also, since salaries are most often scaled down from those of the five most highly paid executives about whom disclosure is required by Item 4(a)(1), the public should be able to draw general conclusions about the level of remuneration of others, without requiring disclosure of additional named individuals. Another basis urged for not requiring information as to the next five persons is that other provisions proposed would disclose the overall group compensation of officers and directors of the registrant.

Many corporations also pointed out that salary information regarding heads of subsidiaries is considered very confidential within the corporation and that adverse consequences could result if the information is made available to the heads of other subsidiaries. The officers of various subsidiaries are allegedly paid varying amounts due to a number of factors which may have no disclosure significance, such as seniority, pay scales in the industry, special arrangements to induce employment, employment contracts entered into at the time the subsidiary was acquired, and foreign cost-of-living allowances. Among the adverse consequences noted if disclosure were made were a loss of morale, a trend toward standardization of salaries at higher levels without regard to individual factors and a danger of pirating of employees by competitors willing to pay a higher salary.

The proposal was especially criticized in connection with its effects on executive officers or directors of the registrant's foreign subsidiaries. One factor of grave concern to the commentators and to the Commission is the possibility of increased danger of acts of terrorism, including kidnapping and ransom demands, if salaries of the heads of foreign subsidiaries are publicly known. In addition, it was pointed out that such individuals are often paid certain amounts, such as cost-of-living, home-leave, and education allowances to compensate them for living overseas; these arrangements, absent further disclosure, could make it difficult to compare the remuneration of a foreign resident with that of a domestic resident. Also the recent currency fluctuations would impair comparability because of the greater

number of dollars needed to maintain a given level of remuneration in a foreign currency.

Although the Commission has determined not to adopt the proposals which could have elicited remuneration disclosure as to executive officers or directors of subsidiaries, it is concerned that in certain instances the disclosure of such data solely as to managers of the parent could result in significant omissions. For example, a key employee or director of a subsidiary might be the highest-paid person in the entire corporate structure and have managerial responsibility for major aspects of the registrant's overall operations. In such a case, information describing only the remuneration of executive officers and directors of the parent might not provide the investor with information necessary to understand executive management remuneration.

The definition of the term "executive officer" has been adopted as proposed and includes, among others, "any other person who performs similar policy making functions." Accordingly, the Commission advises registrants that they should give careful consideration to the question of who are the appropriate persons to be named in the table, and to whether certain highly compensated directors or employees of subsidiaries are in fact "executive officers" of the registrant. The Commission will monitor the disclosure practices in this area to determine whether further actions are appropriate.

Adopted Item 4(a)(2)—Group Information. Item 4(a)(2) as adopted is unchanged from the corresponding item as presently in effect and as proposed. It elicits aggregate remuneration for all officers and directors of the registrant as a group, without requiring that they be named.

Specified Tabular Format. The table as adopted contains five columns but has been modified in certain respects. Proposed Column E, which would have been the sum of Columns C and D, has not been adopted because, as was pointed out by the commentators, the amounts in those two columns might not be viewed as comparable. Since Column C relates to current remuneration and since Column D relates to contingent remuneration which may be realized in the future, it was urged by some commentators that it may be misleading to show a total for the two of them. The Commission has concluded that the proposed aggregate column might be eliminated since specific information will nonetheless be readily available in a tabular format so that a reader may readily evaluate it in the manner deemed most appropriate.

Instructions to Item 4(a)—Instruction 1—Columns A and B. Columns A and B follow the approach in present Item 4(a) and call for the name of the individual or the number of persons in the group and the capacities in which such persons served during the year.

Instruction 1 incorporates the substance of Instruction 2 of the Item 4(a) and defines the term "executive officer." The definition of "executive officer" includes "any vice president in charge of a principal business unit, division or function (such as sales, administration or finance)." It also points out that Item 4(a)(1) refers to "executive officers," while Item 4(a)(2) includes "officers," a broader group of management persons than is encompassed in the former term.

Instruction 2—Column C. Instruction 2 has been revised in certain respects to specify as a part of Column C those forms of remuneration most typically regarded as "current remuneration," with two subcolumns for presentation of different forms of current remuneration. The instruction indicates that Column C includes cash or cash equivalents which have been distributed during the fiscal year or which have been accrued during the fiscal year and with reasonable certainty will be distributed or unconditionally vested in the future, if they relate to services performed in the fiscal year. Column C1 will include salaries, fees, commissions, bonuses, and directors' fees; Column C2 will include cash or cash equivalent remuneration attributable to securities or property, certain insurance benefits, and personal benefits.

Instruction 2(a)—Column C1—Salaries. Column C1, as adopted, will include all cash remuneration distributed or accrued as salary, fees, commissions, bonuses and directors' fees with respect to services rendered during the fiscal year. Amounts which are determined and due to the officer or director in the form of cash which were earned for services performed in that fiscal year but with respect to which payment has been deferred, either voluntarily by the individual or pursuant to the provisions of an agreement, will be included in Column C1. Column C1 should not reflect amounts attributable to services rendered in prior years which have been included in the remuneration table for a prior fiscal year. Conversely, if an amount actually distributed in the latest fiscal year relates to services rendered in a prior fiscal year, Column C1 should include such amount, less any amount relating to the same contract, agreement, plan, or arrangement previously included in the remuneration table for a prior fiscal year.

Instruction 2(b)—Column C2—Securities or Property. The spread between

the acquisition price, if any, and the fair market price of all securities or property acquired under any plan or arrangement, including securities issued on exercise of options, for the benefit of any of the specified persons or groups, less any amount previously reported in the remuneration table for a prior fiscal year with respect to the same contract, agreement, plan or arrangement should be included in Column C2. The fair market price of any such securities or property shall be determined as of the date during the fiscal year that either of the following events occurs, or if the plan or arrangement contemplates that both such events may occur, the fair market price shall be determined as of the date during the fiscal year that the later event occurs: (1) The recipient exercises any option, right or similar election in connection with the contract, agreement, plan or arrangement; or (2) the recipient becomes entitled without further contingencies to retain the securities or property.

Instruction 2(c)—Column C2—Life or Health Insurance; Medical Reimbursement Plans. Proposed Instructions 3(b) relating to life insurance and 3(c) concerning health insurance and medical reimbursement plans have been removed from Instruction 3 and appear as Instruction 2(c). Since benefits received pursuant to such plans generally would not be of a contingent nature, but rather would be deemed Column C2 remuneration, these instructions have been transferred to this Instruction 2. In this regard, based upon numerous comments, the exemption from the reporting requirements for nondiscriminatory group life insurance programs has been incorporated into this instruction.

Instruction 2(d)—Column C2—Item 4(a)—Personal Benefits. The provisions of proposed Instruction 3(f) specified that personal benefits which are not directly related to job performance, including those which indirectly benefit a specified person (other than those benefits provided to a broad category of employees on a basis which does not discriminate in favor of officers and directors), would be included in Column D. This position is reiterated in the amendments as adopted today; however, such benefits are to be reported in Column C2 to reflect the revision of the table to distinguish between current and contingent forms of remuneration in Columns C and D respectively and the provisions now appear as Instruction 2(d) to Item 4(a).

New Instruction 2(d)(i) concerns the method of valuation for personal benefits. It requires that personal benefits be valued on the basis of the registrant's and subsidiaries' aggregate

actual incremental costs; however, if such aggregate costs are significantly less than the aggregate amounts the recipient would have had to pay to obtain the benefit, appropriate disclosure, including the value to the recipient, is required in a footnote to the table.

Most commentators concurred in the Commission's proposal to value personal benefits on the basis of actual incremental cost. However, many commentators took issue with that portion of the provisions which would require separate footnote disclosure where there is a significant disparity between actual incremental cost to the registrant and value to the recipient. These commentators were of the view that the value of a benefit to the recipient is not material to investors, since that value does not bear on the use of corporate funds or reflect on the integrity of management.

While the Commission continues to believe that the registrant's cost generally is the appropriate measure for disclosing personal benefits as management remuneration and wishes to reemphasize its conclusion that in most circumstances use of this measure will result in adequate disclosure, there may in fact be some instances where sole reliance on aggregate incremental costs as the basic valuation for disclosure may be inappropriate. To the extent that personal benefits may comprise a significant component of the remuneration of a given individual, or the management group, inclusion of dollar amounts that represent a nominal incremental cost to a registrant, without further explanation, may not provide shareholders with complete information regarding the level of management remuneration. The Commission believes that in those instances where the footnote disclosure is required, shareholders will be afforded more accurate information with which to assess the performance of management. Accordingly, the provision for footnote disclosure has been retained, in order to provide more adequate disclosure where particular facts and circumstances suggest that valuation information supplemental to aggregate incremental cost may be warranted.

As proposed, the conditional exclusion for certain personal benefits provided that if a registrant could not determine without unreasonable effort or expense the specific amount of certain personal benefits, or the extent to which benefits are personal rather than business, the amount of such personal benefits may be omitted from the table provided that: (A) after reasonable inquiry, the registrant has concluded that the aggregate amounts of such personal benefits which cannot be specifically or precisely as-

certained do not exceed \$10,000 as to each person (or in the case of a group, \$10,000 for each person in the group); and (B) the board of directors or any appropriate committee of the board, after reasonable inquiry, has concluded that the above conditions are satisfied and that the information set forth in the table is not rendered materially misleading by the omission of these amounts.

Most of the commentators supported the adoption of a conditional exclusion for those personal benefits that are very difficult to identify and value. Many commentators were of the view that the requirement for review by the board or a committee of the board was unduly burdensome and might result in additional effort and expense in the course of the preparation of disclosure documents, noting that in their opinion, registrants and their boards of directors already have full responsibility for the adequacy and accuracy of disclosure in proxy statements as well as other disclosure documents. Since the Commission is of the view that registrants, acting through their directors and officers, do have the responsibility for disclosures made in proxy statements and other disclosure documents, it has determined that mandating a specific procedural requirement for directorial review of personal benefit disclosure is not necessary. Accordingly, the proposed requirement for directorial review of the conditional exclusion has not been adopted as an express provision of the new amendments.

The proposed conditional exclusion also provided that whenever the personal benefits included in the table with respect to a named person represent 10 percent of such person's remuneration, or \$25,000, whichever is less, information about the personal benefits must be included in a footnote disclosing the amount of such benefits and briefly describing them. Some commentators opposed this provision, indicating their views that any additional footnote required by this portion of the instruction would not result in meaningful disclosure and that the inclusion of amounts representing personal benefits in the table should be sufficient.

However, as noted in Release 33-5950, disclosure that a large portion of an executive's remuneration is in the form of personal benefits may permit shareholders to make better judgments about remuneration data, and the Commission believes that such disclosure would not impose any undue burdens on registrants in these instances in which an individual's remuneration is comprised of significant amounts of personal benefits. Accordingly, the proposed requirement for footnote disclosure has been adopted,

with the 10%/\$25,000 threshold determined with respect to an individual's aggregate remuneration disclosed in columns C1 and C2.

Instruction 3. Instruction 3 has been revised in a number of ways. As noted above, the Commission has responded to the commentators' concern that certain forms of remuneration are subject to contingencies and should not be aggregated with current remuneration by revising the remuneration table presentation to eliminate Column E and to redefine the types of benefits required under Column D. Instruction 3 discusses in some detail the types of remuneration which may be of a contingent nature and thus reportable under column D. Generally, if the distribution of the forms of remuneration described in Instruction 3, or the unconditional vesting or measurement of benefits thereunder is subject to future events, amounts expensed for financial reporting purposes under such arrangements should be included in Column D. The types of plans discussed below are among those typically meeting these standards, however similar disclosure should be made in Column D as to any similar plan or arrangement.

Instruction 3(a)—Pension or Retirement Plans; Annuities; Employment Contracts; Deferred Compensation Plans. Except insofar as the introductory language of Instruction 3 has been revised, no revisions have been made from Instruction 3(a) as proposed. This instruction will require that Column D include any amounts expensed for financial reporting purposes by the registrant and its subsidiaries for the year which represents the contribution, payment, or accrual for the account of the specified persons or group under any pension or retirement plan, annuity, employment contract, deferred compensation plan, or similar arrangement. Contributions to tax qualified plans would be included but a general exclusion is permitted if the amount of the contribution for specific individuals is not or cannot readily be separately or individually calculated by the regular actuaries for the plan. If the exclusion is utilized, a footnote to the table would be required stating this fact and disclosing the percentage which the aggregate contributions to the plan bears to the covered compensation of plan participants and briefly describing the covered compensation. The Commission anticipates that the footnote disclosure may provide a reasonable indication of the approximate amount of remuneration omitted from the table pursuant to this provision.

Instruction 3(b)—Incentive and Compensation Plans and Arrangements. Although this instruction evoked a large commentator response,

no revisions have been made in the instruction as proposed, other than reclassifying it as subparagraph (b). The Commission believes, however, that the commentators' major concerns that the inclusion of such benefits would be misleading to shareholders and would distort communication have been resolved by the revisions in the remuneration table presentation.

Instruction 3(b) requires that Column D include any amount expended by the registrant or its subsidiaries for financial reporting purposes for the year in connection with stock options, stock appreciation rights, phantom stock plans and any other incentive or compensation plan or arrangement pursuant to which the measure of benefits is based on objective standards or the value of securities. This instruction would encompass not only those arrangements in which the measure of benefits is based on the market prices of securities but also those in which benefits result, for example, from the registrant or a defined profit center having met predetermined earnings goals.

This instruction would require current disclosure of remuneration earned and expended during the year despite the fact that the vesting or measurement of benefits is subject to future events. Since generally accepted accounting principles require the expensing for financial reporting purposes of the buildup in the value of interests under certain stock incentive plans, this instruction would require that any such amount be reported as remuneration under Column D. Conversely, because disclosure in the remuneration table is generally geared to financial reporting, if the selected levels or conditions are not achieved, Instruction 3(b)(2) permits a credit to be taken against the remuneration disclosed in Column D. However, any such later-year credit included in the table would be required to relate to an item actually reflected in the table for a prior year and to be specifically disclosed by footnote.

Instruction 3(c)—Stock Purchase Plans; Profit Sharing and Thrift Plans. Proposed instruction 3(c) has been reclassified Instruction 3(c), but has not otherwise been revised. This instruction would require disclosure of any contribution made under any stock purchase, profit sharing, thrift or similar plan, whether or not the plan is qualified under the Internal Revenue Code. This instruction is intended to assure that contributions under arrangements, whether or not tax qualified, are treated as remuneration. It should also be noted that, depending upon the facts and circumstances, plans of this type might not involve contingencies geared to future

events and would be includable in Column C2, rather than Column D.

Instruction 4—Transactions with Third Parties. Instruction 4 as proposed and adopted requires that transactions between the issuer or its subsidiaries and third parties, the primary purpose of which is to remunerate the persons specified in Item 4(a), are to be incorporated into remuneration disclosure; otherwise, the disclosure of such transactions would be governed by the "Certain Transactions" provisions.

This instruction met virtually no objection from the commentators and is adopted in the form proposed. The position that Item 4(a) does not require disclosure of remuneration paid to a partnership in which any officer or director has been retained; any such transaction should be disclosed pursuant to other disclosure requirements.

Instruction 5—Other Permitted Disclosure. As proposed in Release 33-5950, Instruction 5 allows registrants to provide additional remuneration disclosure through a footnote to the table, additional tabular columns, or otherwise, if greater detail is appropriate. The instruction is adopted in the form proposed; however, as noted in that release, Instruction 5 should not be construed to allow amounts required to be included in the remuneration table to be presented solely in a footnote.

Instruction 6. Definition of "Plan." Proposed Instruction 6 defined "plan" as used in this item to include all plans, contracts, authorizations, or arrangements, whether or not set forth in any formal document. This definition is identical to that appearing in present Instruction 1 to Item 4(b) of Regulation S-K and has been retained.

Item 4(b) Proposed Remuneration. Item 4(b) as proposed in Release 33-5950 would require a brief description of all remuneration payments proposed to be made in the future, pursuant to any existing plan or arrangements, to the persons and groups specified in Item 4(a). As to defined benefit or actuarial plans with respect to which amounts are not included in the table pursuant to Instruction 3(a) to Item 4(a), a separate table was proposed to be included, showing the estimated annual benefits payable upon retirement to persons in specified remuneration and years-of-service classifications.

This item is substantially similar to present Item 4(c) of Regulation S-K and was not the subject of extensive comment. However, in response to several commentators' concerns, a clarifying paragraph similar to the instruction to current Item 4(c) has been added. This paragraph provides that information need not be furnished

with respect to group life, health, hospitalization, or medical reimbursement plans which do not discriminate in favor of officers or directors and which are available generally to all salaried employees; this exclusion is similar to Instruction 2(c) of Item 4(a).

Item 4(c) Remuneration of Directors. Proposed Item 4(c)(1) required a description of any standard arrangements, stating amounts, by which directors of the registrant are compensated for all services as a director, including any additional amounts payable for committee participation or special assignments. Specification of remuneration received by directors in addition to or in lieu of that specified by any standard arrangement would also be required, including the names of directors and amounts of such remuneration earned by each (with a cross-reference allowed for any persons as to whom this information is given in Item 4(a)). Item 4(c)(2) proposed to require disclosure as to the aggregate remuneration for the last fiscal year for all directors of the registrant who are not also officers of the registrant or its subsidiaries, as a group, stating the number of persons without naming them.

Several commentators supported the proposed Item 4(c) disclosure, believing that useful information will be provided and that shareholders are entitled to know the method used to compensate non-officer directors. Also, as noted in Release 33-5950, a number of companies already disclose this type of information on a voluntary basis. However, some commentators were of the view that the disclosure provision of proposed Item 4(c)(2), which called for disclosure of the aggregate remuneration of all non-officer directors as a group, and that of Item 4(a)(2), which requires disclosure of remuneration (including fees and directors' fees) for all officers and directors as a group, would result in duplication of disclosure.

The Commission believes that the provisions of Item 4(c)(1) for disclosure of standard and other compensation arrangements, in conjunction with Item 4(a), will provide shareholders with the information necessary for informed judgments about remuneration data on directors. Accordingly, Item 4(c)(1) has been retained (with a subclassification redesignated as new Item 4(c)(2) for remuneration as a director pursuant to arrangements other than standard arrangements). Since director's compensation will be included for all officers and directors as a group in Column C1 of the table required by Item 4(a), the disclosure which would have been required by proposed Item 4(c)(2) (i.e. aggregate remuneration of all non-officer directors as a group) has been deleted.

Additional Recommendations. In Release 33-5950, the Commission noted that several commentators have suggested that the remuneration item should be amended or modified to require disclosure in the following four specific areas: (1) Requiring a more detailed breakdown of the components of remuneration; e.g., disclosure of specific amounts for incentive plans, bonus arrangements, retirement plans, personal benefits and similar provisions; (2) requiring disclosure of the spread between the fair market value of the issuer's common stock and the exercise price of any presently outstanding unexercised stock options; (3) requiring disclosure of the cost to an issuer and its subsidiaries of owning, maintaining, and operating any property, facility, service, equipment, or similar item (including, but not restricted to aircraft, apartments, lodges, resort facilities, automobiles, yachts, club or recreational memberships) if the personal use made of such item during the fiscal year was predominantly by or for the benefit of officers, executive officers or directors of the registrant and its subsidiaries. Disclosure would be required of the cost of a facility used for both business and personally by executives, regardless of the extent of personal use; and (4) requiring disclosure of the aggregate annual cost to the registrant and its subsidiaries of maintaining the office of the chief executive.

The commentators were almost unanimously opposed to any action requiring disclosure in these four areas. Many commentators were of the opinion that the remuneration disclosure item as proposed to be revised would provide a sufficiently detailed breakdown and suggested that refinement to present a breakdown of further specific items would result in more confusing and less comprehensible disclosure.

Similarly, strong opposition was expressed to requiring the reporting of the spread between the fair market value of the issuer's common stock and the exercise price of any presently outstanding unexercised stock options. Most commentators took the position that these amounts merely reflect changes in market values and thus do not reflect concepts of individual remuneration and may be subject to substantial contingencies which may prevent realization of any such amount by option holders.

With respect to disclosure of the cost of certain assets if the personal use made thereof was predominantly by or for the benefit of management, most commentators were of the opin-

ion that in the large majority of cases these assets have an essential business purpose, and in any event noted that any material personal use of such assets by officers and directors already would be required to be reported under the interpretive guidelines and proposed instructions regarding personal benefits.

Similarly, the cost of maintaining the office of the chief executive was largely viewed as an essential business expense. The commentators felt that disclosure of the aggregate annual cost would not result in meaningful disclosure since the role and function of this office may legitimately vary from company to company, and commentators questioned the appropriateness of including this essential cost concept in the context of remuneration.

The Commission has considered the views of the commentators and others and it has determined at this time not to propose any disclosure requirements relating to the additional recommendations listed in Release 33-5950.

Effective Date and Operation of the Amendments. The amendments are effective for filings made with the Commission that contain information with respect to fiscal years ending on or after December 25, 1978, when such filings are initially made on or after January 15, 1979.

The Commission is aware that certain of the concepts embodied in the amendments represent a departure from the prior practice in disclosing management remuneration. For this reason, the staff of the reviewing branches in the Division of Corporation Finance will be available to discuss interpretive issues presented in connection with specific registrants. Moreover, the staff will be flexible in the use of its discretion in reviewing filings complying with the new provi-

sions and will monitor the disclosure practices of the coming proxy season to determine whether to recommend further actions to the Commission.

Certain Findings. As required by Section 23(a)(2) of the Exchange Act, the Commission has specifically considered the impact which the amendments adopted herein would have on competition and has concluded that they would impose no significant burden on competition. In any event, the Commission has determined that any possible burden will be outweighed by, and is necessary and appropriate to achieve, the benefits of these amendments to investors and registrants.

Text of the Amendments. 17 CFR 229.20 is amended by revising Item 4(a), (b) and (c) thereof to read as follows:

§ 229.20 Information required in document.

Item 4. Management remuneration. (a) *Current remuneration.* Furnish the information required in the table below, in substantially the tabular form as specified, concerning all remuneration of the following persons and groups for services in all capacities to the registrant and its subsidiaries during the registrant's last fiscal year, or, in specified instances, certain prior fiscal years:

(1) *Five executive officers or directors.* Each of the five most highly compensated executive officers or directors of the registrant as to whom the total remuneration required to be disclosed in Columns C1 and C2, below, would exceed \$50,000, naming each such person; and

(2) *All officers and directors.* All officers and directors of the registrant as a group, stating the number of persons in the group without naming them.

(3) *Specified Tabular Format:*

Remuneration Table

(A)	(B)	(C)		(D)
Name of individual or number of persons in group	Capacities in which served	Cash and cash-equivalent forms of remuneration		Aggregate of contingent forms of remuneration
		(C1)	(C2) Securities or property, insurance benefits or reimburse- ment, personal benefits	
		Salaries, fees, direc- tors' fees, commissions, and bonuses		

Instructions to Item 4(a). 1. *Columns A and B. Persons subject to this item.* (a) This item applies to any person who was an executive officer, officer, or director of the

registrant at any time during the fiscal year. However, information need not be given for any portion of the period during which such person was not an executive officer, officer,

or director of the registrant, provided a statement to that effect is made. Item 4(a)(1) applies to "executive officers" and directors. Item 4(a)(2) applies to "executive officers," other officers, and directors.

(b) An "executive officer" of a person includes its president, secretary, treasurer, any vice president in charge of a principal business unit, division, or function (such as sales, administration or finance), and any other person who performs similar policy-making functions.

2. *Column C.* Column C shall include remuneration for services rendered during the fiscal year distributed to or for the account of the specified person or group, or which is accrued and with reasonable certainty will be distributed or unconditionally vested in the future. Column C shall also include any amount actually distributed or in the latest fiscal year which relates to services rendered in a prior fiscal year, less any amount relating to the same contract, agreement, plan, or arrangement previously included in the remuneration table for a prior fiscal year. However, if this calculation results in a credit, any such credit should be reflected in Column D and not Column C. See Instruction 3(b)(2). Column C should be segregated into two subcolumns; the first, C1, should include the forms of remuneration described in Instruction 2(a), below; the second, C2, should include the forms of remuneration described in Instruction 2 (b), (c) and (d), below. Column C shall include cash or cash-equivalent amounts distributed or accrued, including but not limited to the following:

(a) *Salaries.* All cash remuneration distributed or accrued in the form of salaries, fees, directors' fees, commissions and bonuses.

(b) *Securities or property.* The spread between the acquisition price, if any, and the fair market price of all securities or property acquired under any contract, agreement, plan or arrangement, including securities issued on exercise of options, for the benefit of any of the specified persons or groups, less any amount previously reported in the remuneration table for a prior fiscal year with respect to the same contract, agreement, plan or arrangement. The fair market price of any such securities or property shall be determined as of the date during the fiscal year that either of the following events occurs; or if the plan or arrangement contemplates that both such events may occur, the fair market price shall be determined as of the date during the fiscal year that the later event occurs:

(1) The recipient exercises any option, right or similar election in connection with the contract, agreement, plan or arrangement; or

(2) The recipient becomes entitled without further contingencies to retain the securities or property.

(c) *Life or health insurance; medical reimbursement plans.* The cost of premiums paid by the registrant or any of its subsidiaries on life insurance policies insuring any such person or group, unless the sole beneficiary under the policy is the registrant or its subsidiaries. Also, the cost of any premium for health insurance and the cost of any medical reimbursement plans (which may be the benefits paid under any such plans) for the benefit of the specified persons and groups shall be allocated to such persons and groups and reflected in Column C. Informa-

tion need not be furnished pursuant to this Instruction 2(c) for any costs under group life, health, hospitalization, or medical reimbursement plans which do not discriminate in favor of officers or directors of the registrant and which are available generally to all salaried employees.

(d) *Personal benefits.* The value of personal benefits which are not directly related to job performance, other than those provided to broad categories of employees and which do not discriminate in favor of officers or directors, furnished by the registrant or its subsidiaries directly or through third parties to each of the specified persons and groups, or benefits furnished by the registrant or its subsidiaries to other persons which indirectly benefit the specified persons.

(i) *Valuation.* Such benefits shall be valued on the basis of the registrant's and subsidiaries' aggregate actual incremental costs; however, if such aggregate costs are significantly less than the aggregate amounts the recipient would have had to pay to obtain the benefits, appropriate disclosure, including the aggregate value to the recipient, should be made in a footnote to the table.

(ii) *Conditional exclusion of personal benefits.* If the registrant cannot determine without unreasonable effort or expense the specific amount of certain personal benefits, or the extent to which benefits are personal rather than business, the amount of such personal benefits may be omitted from the table provided the following condition is met:

A. *Inquiry.* After reasonable inquiry, the registrant has concluded that the aggregate amounts of such personal benefits which cannot be specifically or precisely ascertained do not in any event exceed \$10,000 as to each person or, in the case of a group, \$10,000 for each person in the group and has concluded that the information set forth in the table is not rendered materially misleading by virtue of the omission of the value of such personal benefits.

(iii) *Footnote disclosure.* If as to a person named in the table an amount representing personal benefits included in Column C2 exceeds 10 percent of the aggregate amount disclosed in Columns C1 and C2 or \$25,000, whichever is less, include a footnote to the table stating the dollar amount or percentage of Column C2 represented by such personal benefits and briefly describing the kinds of such benefits.

3. *Column D.* Column D shall include remuneration of the specified persons and groups in whole or in part for services rendered during the fiscal year, including but not limited to the forms of remuneration described in paragraphs (a) through (c) below, if the distribution of such remuneration or the unconditional vesting or measurement of benefits thereunder is subject to future events.

NOTE.—Registrants need only report remuneration in accordance with Column D as it relates to the latest fiscal year. They need not, for example, report amounts accrued in previous periods.

(a) *Pension or retirement plans; annuities; employment contracts; deferred compensation plans.* (i) As to each of the specified persons and groups, the amount expensed for financial reporting purposes by the registrant and its subsidiaries for the year which represents the contribution, pay-

ment, or accrual for the account of any such person or group under any existing pension or retirement plans, annuity contracts, deferred compensation plans, or any other similar arrangements. Such amounts should be reflected as remuneration for the fiscal year under all such plans or arrangements, including plans qualified under the Internal Revenue Code, unless, in the case of a defined benefit or actuarial plan, the amount of the contribution, payment, or accrual in respect of a specified person is not and cannot readily be separately or individually calculated by the regular actuaries for the plan.

(ii) If amounts are excluded from the table pursuant to the previous provision, include a footnote to the table: (A) Stating such fact; (B) disclosing the percentage which the aggregate contributions to the plan bears to the total remuneration of plan participants covered by such plan; and (C) briefly describing the remuneration covered by the plan.

(b) *Incentive and compensation plans and arrangements.* (1) With respect to stock options, stock appreciation rights plans, phantom stock plans and any other incentive or compensation plan or arrangement pursuant to which the measure of benefits is based on objective standards or on the value of securities of the registrant or another person, granted, awarded or entered into at any time in connection with services to the registrant or its subsidiaries, include as remuneration of each of the specified persons and groups any amount expensed by the registrant and its subsidiaries for financial reporting purposes for the fiscal year as remuneration for any such specified person or group attributable to an interest in any such plan or arrangement.

(2) If the registrant has expensed amounts for financial reporting purposes and reported such amounts in the remuneration table and in a subsequent year, in connection with the same plan or arrangement, credits its remuneration expense for financial reporting purposes, for any proper reason, including a decline in the market price of the securities, such credit may be reflected as a reduction of the remuneration reported in Column D. If amounts credited pursuant to this instruction are so reflected in the table, include a footnote stating the amount of such credit and briefly describing such treatment.

(3) The term "options" as used in this item includes all options, warrants, or rights, other than those issued to security holders as such on a pro rata basis.

(c) *Stock purchase plans; profit sharing and thrift plans.* Include the amount of any contribution, payment or accrual for the account of each of the specified persons and groups under any stock purchase, profit sharing, thrift, or similar plans which has been expensed during the fiscal year by the registrant and its subsidiaries for financial reporting purposes. Amounts reflecting contributions under plans qualified under the Internal Revenue Code may not be excluded.

4. *Transactions with third parties.* Item 4(a), among other things, includes transactions between the registrant and a third party when the primary purpose of the transaction is to furnish remuneration to the persons specified in Item 4 (a). Other transactions between the registrant is to furnish remuneration to the persons specified in Item 4(a). Other transactions be-

tween the registrant and third parties in which persons specified in Item 4(a) have an interest, or may realize a benefit, generally are addressed by other disclosure requirements concerning the interest of management and others in certain transactions. Item 4(a) does not require disclosure of remuneration paid to a partnership in which any officer or director was a partner; any such transactions should be disclosed pursuant to these other disclosure requirements, and not as a note to the remuneration table presented pursuant to Item 4(a).

5. *Other permitted disclosure.* The registrant may provide additional disclosure through a footnote to the table, through additional columns, or otherwise, describing the components of aggregate remuneration in such greater detail as is appropriate.

6. *Definition of "plan".* The term "plan" as used in this item includes all plans, contracts, authorizations, or arrangements, whether or not set forth in any formal documents. Item 4. [End of Instructions to Item 4(a)]

(b) *proposed remuneration.* Briefly describe all remuneration payments proposed to be made in the future, pursuant to any existing plan or arrangement to the persons and groups specified in Item 4(a). As to defined benefit or actuarial plans with respect to which amounts are not included in the table pursuant to Instruction 3(a) to Item 4(a), include a separate table showing the estimated annual benefits payable upon retirement to persons in specified remuneration and years-of-service classifications. Information need not be furnished with respect to any group life, health, hospitalization, or medical reimbursement plans which do not discriminate in favor of officers or directors of the registrant and which are available generally to all salaried employees.

(c) *Remuneration of directors.* (1) *Standard arrangements.* Describe any standard arrangement, stating amounts, by which directors of the registrant are compensated for all services as a director, including any additional amounts payable for committee participation or special assignments.

(2) *Other arrangements.* If a director of the registrant received remuneration for services as a director during the fiscal year in addition to or in lieu of that specified by any standard arrangement, state the name of such directors and the amount of such remuneration earned by each; if this information is given as to a person named in the table required by Item 4(a), a cross-reference may be used.

(Secs. 6, 7, 8, 10, 19(a), 48 Stat. 78, 79, 81, 85; secs. 205, 209, 48 Stat. 906, 908; sec. 301, 54 Stat. 857; sec. 8, 68 Stat. 685; sec. 1, 79 Stat. 1051; sec. 308(a)(2), 90 Stat. 57; secs. 12, 13, 14, 15(d), 23(a), 48 Stat. 892, 894, 895, 901; secs. 1, 3, 8, 49 Stat. 1375, 1377, 1379; sec. 203(a) 49 Stat. 704; sec. 202, 68 Stat. 686; secs. 3, 4, 5, 6, 78 Stat. 565-568, 569, 570-574; secs. 1, 2, 3, 82 Stat. 454, 455; secs. 28(c), 1, 2, 3-5, 84 Stat. 1435, 1497; sec. 105(b), 88 Stat.

1503; secs. 8, 9, 10, 18, 89 Stat. 117, 118, 119, 155; sec. 308(b), 90 Stat. 57; secs. 202, 203, 204, 91 Stat. 1494, 1498, 1499, 1500; 15 U.S.C. 77f, 77g, 77h, 77j, 77s(a), 78l, 78m, 78n, 78o(d), 78w(a).)

AUTHORITY. The amendments are adopted pursuant to the authority in Sections 6, 7, 8, 10 and 19(a) (15 U.S.C. 77f, 77g, 77h, and 77s) of the Securities Act of 1933; Sections 12, 13, 14, 15(d) and 23(a) (15 U.S.C. 78l, 78m, 78o(d) and 78w) of the Securities Exchange Act of 1934.

The Commission finds that any changes in the amended provisions from those published in Release No. 33-5950 have already been generally subject to comment and are either technical in nature or less burdensome than previous proposals so that further notice and rulemaking procedures pursuant to the Administrative Procedure Act (5 U.S.C. 553) are not necessary.

By the Commission.

GEORGE A. FITZSIMMONS,
Secretary.

DECEMBER 4, 1978.

[FR Doc. 78-34669 Filed 12-12-78; 8:45 am]

[6560-01-M]

Title 40—Protection of Environment

CHAPTER I—ENVIRONMENTAL PROTECTION AGENCY

SUBCHAPTER C—AIR PROGRAMS

[FRL 1024-5]

PART 52—APPROVAL AND PROMULGATION OF STATE IMPLEMENTATION PLANS

Clean Air Act: Prevention of Significant Deterioration

AGENCY: Environmental Protection Agency.

ACTION: Interpretation of regulations.

SUMMARY: In June 1978, the Environmental Protection Agency (EPA) promulgated new regulations for the prevention of significant deterioration (PSD). Section 52.21(i)(4) of those regulations provides that they do not apply to a source whose application for a PSD permit under the old regulations would have been evaluated by March 1, 1978, but for an extension of the period for comment on the application. EPA has interpreted the new regulations as requiring, in a case where such a source ultimately got a permit under the old regulations, that construction on the source commence within one year and 18 days after permit issuance in order to preserve the validity of the permit.

DATES: Any petition for judicial review of this interpretation must be filed on or before February 12, 1979.

FOR FURTHER INFORMATION CONTACT:

Peter Wyckoff, Attorney, Office of General Counsel, 401 M Street, S.W., Washington, D.C. 20460, (202) 755-0744.

SUPPLEMENTARY INFORMATION:

The new PSD regulations which EPA promulgated in June 1978 contain certain grandfather exemptions. 43 FR 26388, 26406 (June 19, 1978). EPA recently gave an interpretation of those exemptions in response to an inquiry from the Pittston Company. The Pittston Company proposes to construct a source to which one of the exemptions applies. EPA communicated and explained its interpretation in a letter dated October 31, 1978. The relevant portion of that letter follows:

This is in response to your letter of September 7, 1978, to Robert Thompson, Regional Counsel for EPA Region I.

In that letter, you note that on August 18, 1978, EPA issued to the Pittston Company a PSD permit to construct a refinery and marine terminal in Eastport, Maine. You then ask in effect whether EPA would agree that Pittston, in order to preserve the validity of the permit, need commence construction on the refinery and terminal no earlier than 18 months from the date EPA issued it, that is, no earlier than February 18, 1980. For the reasons that follow, EPA would not agree. In our view, Pittston must commence construction no later than September 5, 1979.

As you know, there are three grandfather exemptions in the new PSD regulations. Sections 52.21(i) (2) and (3) contain two of them. Those sections provide that the new regulations do not apply to any major emitting facility for which certain permits were obtained by March 1, 1978, and on which construction commences by March 19, 1979. 43 FR 26388, 26406 (June 19, 1978). Section 52.21(i)(4), which expresses the third exemption, provides that the new regulations do not apply to any major emitting facility which was subject to the PSD regulations in effect before March 1, 1978, if EPA would have evaluated an application for a PSD permit for the facility under those regulations by March 1, 1978, but for an extension of the public comment period. The last sentence of section 52.21(i)(4) adds that "the application shall continue to be processed, and granted or denied, under [the old PSD regulations]." *Id.* EPA processed and granted the application for the permit for the refinery and marine terminal under the old